

**BELLAIRE FIRE DISTRICT AUTHORITY**

**FOREST HOME/KEARNEY TOWNSHIPS**

**AUDITED FINANCIAL STATEMENTS**

**MARCH 31, 2004**

**AUDITING PROCEDURES REPORT**

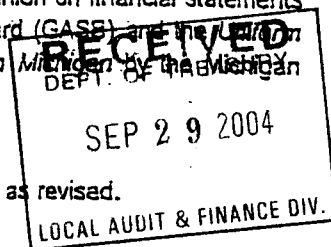
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bellaire Fire District Authority		County Antrim
Audit Date 3/31/2004	Opinion Date 8/24/2004	Date Accountant Report Submitted to State: 9/24/2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Keskine Cook Miller Smith & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>W. A. K. K.</i>			

**FIRE AUTHORITY BOARD**

**CHAIRMAN**

Arthur Koutnik

**SECRETARY**

Edward McDuffie

**TREASURER**

Vincent Carpenter

**MEMBER**

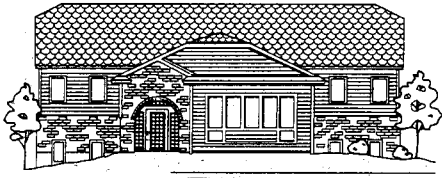
Bryan Graham

**MEMBER**

James Baker

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**Keskin, Cook, Miller, Smith & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

August 24, 2004

Members of the Board  
Bellaire Fire District Authority

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Bellaire Fire District Authority, as of and for the year ended March 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Bellaire Fire District Authority, Antrim County, Michigan as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principle generally accepted in the United States of America.

As described in Note B, the Authority has implemented a new financial reporting modes as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis on pages 3-4 and budgetary comparison information on page 19 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
Keskin, Cook, Miller, Smith & Alexander, LLP



Bellaire District Fire Department  
P.O. Box 483  
Bellaire, Michigan 49615

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Bellaire Fire District Authority annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements that immediately follow this section.

### Financial Highlights

Our financial status improved over the last year. Assets increased by approximately \$178,000. Total assets are now \$1,604,454 of which \$975,047 represents capital assets.

Overall revenues were \$438,067 and overall expenses were \$259,634 in the statement of activities.

We purchased a new grass fire unit truck during the year. Additional equipment purchases included: an air compressor, jaws of life, rescue cribbing and a gas detector. Cost of these fixed assets totaled \$97,124. We have been replacing turnout gear each year, this year we spent approximately \$9,500 on new turnout gear. We disposed of three vehicles for a total of \$57,000; \$25,000 of which will be received in fiscal year 2005.

### Overview of the Financial Statements

This annual report consists of three parts – management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are entity wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### Entity Wide Statements

The entity wide statements report information about the Authority as a whole, using accounting methods used by private companies. The statement of net assets includes all the Authority's assets and liabilities. The state of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the Authority's financial health or position.



Bellaire District Fire Department  
P.O. Box 483  
Bellaire, Michigan 49615

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following kind of funds:

*Governmental Fund* – All of the Authority's activities are included in the general fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the entity wide statements and the fund statements are disclosed in the reconciling financial statements to explain the differences between them.

### **Financial analysis of the Entity as a Whole**

**Net Assets** – The Authority's net assets increased during the year ended March 31, 2004 by \$178,433, of which \$97,124 was invested in capital assets; leaving a \$27,000 increase in unrestricted net assets. Total unrestricted net assets were \$579,487 at year end. The unrestricted net assets will be used for the purchase of a new tanker truck for approximately \$156,000 and other operating expenses.

### **Financial Analysis of the Authority's Funds**


Amendments to our budget for the year ended March 31, 2004 were line item transfers to cover increased payroll expenses.

### **Known Factors Affecting Future Operations**

The authority intends to purchase a new tanker truck in fiscal year 2005. Estimated cost of the truck is \$156,000.

### **Contacting Authority Management**

This financial report is designed to provide our taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Fire Authority Board.

  
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Fire Chief  
Bellaire District Fire Authority



**BELLAIRE FIRE DISTRICT AUTHORITY  
STATEMENT OF NET ASSETS  
MARCH 31, 2004**

**ASSETS**

**Current Assets**

Cash and Investments	\$ 557,587
Due from Kearney Township	33,437
Due from Forest Home Township	13,356
Due from Clearwater Township	25,000

Total Current Assets	629,380
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**Capital Assets**

Capital Assets	1,391,026
Accumulated depreciation	(415,952)

Total Capital Assets	975,074
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Total Assets	\$ 1,604,454
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**NET ASSETS**

Investment in Capital Assets, Net of Related Debt	975,074
Unrestricted net assets	629,380

Total Net Assets	\$ 1,604,454
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See accompanying notes to financial statements.

**BELLAIRE FIRE DISTRICT AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>PROGRAM REVENUES</u>				TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	
<b>GOVERNMENTAL ACTIVITIES</b>					
Fire Protection Services	\$ (259,634)	\$ -	\$ 67,807	\$ -	\$ (191,827)
<b>GENERAL REVENUES</b>					
Property Taxes					358,333
Donations					4,152
Interest					7,275
Miscellaneous					500
<b>CHANGE IN NET ASSETS</b>					178,433
<b>NET ASSETS - BEGINNING OF YEAR</b>					1,426,021
<b>NET ASSETS - END OF YEAR</b>					\$ 1,604,454

See accompanying notes to financial statements

**BELLAIRE FIRE DISTRICT AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
MARCH 31, 2004**

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash and Investments	\$ 557,587
Due from Kearney Township	33,437
Due from Forest Home Township	13,356
	<u>                    </u>
Total Assets	<u>604,380</u>
<b>FUND EQUITY</b>	
Fund Balance:	
Undesignated	604,380
	<u>                    </u>
Total Fund Equity	<u>\$ 604,380</u>

See accompanying notes to financial statements.

**BELLAIRE FIRE DISTRICT AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2004**

<b>TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 7)</b>	<b>\$ 604,380</b>
Amounts reported for govenmental activities in the Statement of Net Assets (page 5) are different because:	
Capitla assets used in governmental activities are not financial resources and therefore not used in the funds	975,074
Receivable related to sale of fixed assets is not a financial resource, therefore, not reflected in the fund statement	25,000
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 5)</b>	<b>\$ 1,604,454</b>

See accompanying notes to financial statements.

**BELLAIRE FIRE DISTRICT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2004**

	<u>GENERAL FUND</u>
<b>Revenue:</b>	
Taxes	\$ 358,333
Custer Township Contract	37,784
Contributions from local units of government	30,023
Interest	7,275
Donations	4,152
Miscellaneous	500
	<hr/>
Total Revenue	438,067
	<hr/>
<b>Expenditures:</b>	
Wages	80,075
Fire Equipment	58,512
Accessories	42,169
Supplies	24,709
Insurance	18,898
Other operating expense	9,171
Utilities	6,616
Radio Repair	6,180
Training	5,260
Building Maintenance	4,576
Office	4,183
Public Relations	2,440
Rescue	1,621
Medical	1,506
Audit and Legal	825
	<hr/>
Total Expenditures	266,741
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	171,326
<b>OTHER FINANCING SOURCES</b>	
Sale of Assets	32,000
	<hr/>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	203,326
Fund Balance - April 1	401,054
	<hr/>
Fund Balance - March 31	\$ 604,380
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See accompanying notes to financial statements.

<b>CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - PAGE 9</b>	<b>\$</b>	<b>203,326</b>
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Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives

Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	(61,517)
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Proceeds from the sale of fixed assets represent current financial resources and are reflected as revenue in the fund financial statements where the statement of net assets a gain or loss is calculated on the disposal of the asset	(60,500)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES -		
PAGE 6	\$	178,433

10

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE A: ENTITY**

The Bellaire Fire District Authority is a joint venture created in December 1973 by Forest Home and Kearney Townships. The Department was organized to better serve the citizens of both Townships and the Village of Bellaire. The Authority is under the control of a Board consisting of two members from each Township and a member from the Village of Bellaire. The Board members are appointed by each Townships' Board. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief. In March 1982, the taxpayers of Forest Home and Kearney Townships voted to create a joint special assessment district, under authority of Michigan Public Act 33 of 1951 as amended. This special assessment provides the funding for the Authority's operations. The Fire Authority's boundaries include all of Forest Home and Kearney Townships. Forest Home Township serves as an oversight unit for the Authority. Separate financial statements are available from Forest Home and Kearney Townships as follows: Forest Home Township, PO Box 317, Bellaire, MI 49615-0317; Kearney Township, PO Box 51, Bellaire, MI 49615-0051.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the Bellaire District Fire Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide required disclosures of the Authority's financial activities.

The accounting policies of the Bellaire Fire District Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

On April 1, 2002 the Bellaire Fire District Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

**Government Wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Authority has one fund and one functional activity – fire protection. Program revenues include: charges for services which includes fees, fines and forfeitures, and other charges to users of the Authority's services; Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for the Authority's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPE AND MAJOR FUND**

***Governmental Fund***

The Authority reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions of the Bellaire Fire District Authority. The Authority's primary source of revenue is from property taxes in the form of special assessments for fire protection. Fire Contract revenues are received for providing fire protection to other townships. Contracts are renewed on an annual basis. Additional revenue sources are interest income from investments and other income from miscellaneous activities.



**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET**

An annual budget is required of the Bellaire Fire District Authority. The budget is open to the public for their consideration before final adoption. The Authority's budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. Budgets as adopted end on March 31<sup>st</sup> of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No overexpenditures were noted on a fund level for the year ended March 31, 2004.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**RESTRICTED RESOURCES**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

**CAPITAL ASSETS AND DEPRECIATION**

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government wide financial statements. The Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur, if:

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. the expense significantly changes the character of the asset

Otherwise, the cost is expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	1 – 10
Vehicles and Peripherals	20 – 30

Land and construction in progress are not depreciated.

For information describing capital assets, see Note G.

**NOTE C: CUSTODY OF ASSETS**

All assets are under the control of the Authority. Per state statute, the Bellaire Fire District Authority may not retain title to any assets and must designate one member as custodian. The Township of Forest Home has been designated as the custodial member. The Authority has indicated that should it dissolve, remaining assets would be split pro rata between the Townships based on their respective equalized value at the time of dissolution.

**NOTE D: CASH AND INVESTMENTS**

**CASH**

Cash consists of bank accounts or securities with original maturities of 90 days or less.

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE D: CASH AND INVESTMENTS (CONTINUED)**

All cash deposits are maintained in financial institutions in Michigan. The Authority's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Authority at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging Financial institution's trust department or agent in the Authority's name.

Category 3 – Uncollateralized.

	BANK BALANCE	1	2	3	CARRYING AMOUNT
Checking	\$ 14,418	\$ -	\$ -	\$ 14,418	\$ 14,224
Money Market	544,267	100,000	-	444,267	543,363
Total Cash Dep.	<u>\$ 558,685</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 458,685</u>	<u>\$ 557,587</u>

Statutory Authority

Act 217, PA 1982, authorizes the Authority to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended
- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States Government or Federal Agency obligation repurchase agreements
- (e) banker's acceptance of United States banks
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

Investing is performed in accordance with investment policies complying with state statutes.

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE E: DUE FROM KEARNEY AND FOREST HOME TOWNSHIPS**

Balances at March 31, 2004, consist of property tax collections that have not been received from the Townships. They are expected to be received in full within a sixty day period.

**NOTE F: DUE FROM CLEARWATER TOWNSHIP**

Balance in this account reflects amounts due from another government for the purchase of a fire truck the authority sold during the year. The sale price of the vehicle was \$50,000. \$25,000 was received during the year. The remaining \$25,000 is expected to be received in fiscal year 2005.

**NOTE G: CAPITAL ASSETS AND DEPRECIATION**

The following table provides a summary of changes in capital assets:

	<u>BALANCE</u> <u>APRIL 1</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>MARCH 31</u>
Capital Assets, Depreciated				
Buildings	\$ 206,675	\$ -	\$ -	\$ 206,675
Vehicles	1,145,559	56,848	184,853	1,017,554
Equipment	<u>118,021</u>	<u>40,276</u>	<u>-</u>	<u>158,297</u>
Total	<u>1,470,255</u>	<u>\$ 97,124</u>	<u>\$ 184,853</u>	<u>\$ 1,382,526</u>
Capital Assets, Not Depreciated				
Land	<u>8,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,500</u>
Total Capital Assets	<u>\$1,478,755</u>	<u>\$ 97,124</u>	<u>\$184,853</u>	<u>\$ 1,391,026</u>
Accumulated Depreciation	<u>453,788</u>	<u>61,517</u>	<u>99,353</u>	<u>415,952</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 1,024,967</u>			<u>\$ 975,074</u>

**BELLAIRE FIRE DISTRICT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE H: INSURANCE COVERAGES**

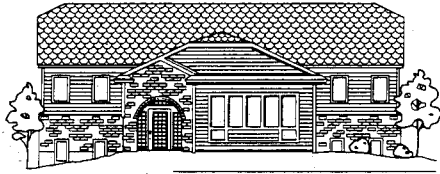
The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Authority pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Authority has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Authority carries commercial insurance for other types of losses including employee health and accident insurance.

**NOTE I: COMMITMENT**

In January of 2004, the Authority approved the purchase of a new tanker truck costing approximately \$156,000. The Authority intends to purchase the truck in fiscal year 2005.

**BELLAIRE FIRE DISTRICT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>				
Current Property Taxes	\$ 247,518	247,518	\$ 360,627	113,109
Delinquent Property Taxes	59,441	59,441	(2,294)	(61,735)
Custer Township Contract	37,784	37,784	37,784	-
Contributions from Local Units of Government	-	-	30,023	30,023
Interest	10,000	10,000	7,275	(2,725)
Donations	-	-	4,152	4,152
Miscellaneous	-	-	500	500
<b>Total Revenue</b>	<b>354,743</b>	<b>354,743</b>	<b>438,067</b>	<b>83,324</b>
<b>Expenditures:</b>				
Wages	75,000	80,074	80,075	(1)
Fire Equipment	140,000	140,000	58,512	81,488
Accessories	60,000	60,000	42,169	17,831
Supplies	30,000	30,000	24,709	5,291
Insurance	25,000	25,000	18,898	6,102
Other Operating Expense	16,966	11,892	9,171	2,721
Utilities	10,000	10,000	6,616	3,384
Radio Repair	7,000	7,000	6,180	820
Training	10,000	10,000	5,260	4,740
Building Maintenance	20,000	20,000	4,576	15,424
Office	10,000	10,000	4,183	5,817
Public Relations	12,000	12,000	2,440	9,560
Rescue	10,000	10,000	1,621	8,379
Medical	8,000	8,000	1,506	6,494
Audit and Legal	3,000	3,000	825	2,175
<b>Total Expenditures</b>	<b>436,966</b>	<b>436,966</b>	<b>266,741</b>	<b>170,225</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(82,223)</b>	<b>(82,223)</b>	<b>171,326</b>	<b>253,549</b>
<b>Sale of Assets</b>	<b>-</b>	<b>-</b>	<b>32,000</b>	<b>32,000</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures</b>	<b>(82,223)</b>	<b>(82,223)</b>	<b>203,326</b>	<b>285,549</b>
<b>Fund Balance - April 1</b>	<b>401,054</b>	<b>401,054</b>	<b>401,054</b>	<b>-</b>
<b>Fund Balance - March 31</b>	<b>\$ 318,831</b>	<b>318,831</b>	<b>\$ 604,380</b>	<b>\$ 285,549</b>



**Keskine, Cook, Miller, Smith & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

To the Members of the Board  
Bellaire District Fire Authority  
Antrim County, Michigan

During the course of our audit of the financial statements of the Bellaire District Fire Authority for the year ended March 31, 2004, we noted the following issues:

1. During the audit, we noted that the March 31, 2004 bank statement was not reconciled to the general ledger. Specifically, the reconciled bank balance did not agree to the general ledger balance. We recommend that all the bank accounts be reconciled monthly and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.
2. During our audit procedures, we noted clerical and posting errors such that cash receipts and disbursements, as totaled in the general ledger, did not add up to the change in cash for the year. As a result account balances required reconciliation or outside corroboration to finalize financial information. These types of errors allow possible irregularities, including fraud, to exist and continue without notice. We suggest that this type of error should occur on a very limited basis. We recommend the organization and methods of posting to the general ledger be reviewed to allow accurate postings to accounts and clear separation of budget adjustments from receipt and disbursement entries.
3. During our audit we noted significant challenges in obtaining information needed to complete the audit. This has caused significant delays in producing the audited financial statements. We respectfully suggest that a priority be placed on improving processes and the condition of records and supporting documentation so that information is readily available to the client and to the auditors. In addition, we incurred problems communicating with management. This also contributed to delays in producing the audited financial statements. We respectfully suggest that the board assign a specific person, who is easily available, to take responsibility for and make year end audit a priority.



We believe that the implementation of these recommendations will provide the Authority with a stronger system of internal accounting control while making its operation more efficient. In addition, it will increase the efficiency audit procedures for all parties involved. We will be pleased to discuss these comments and suggestions in further detail at your convenience or to assist you in implementing recommendations.

Respectfully submitted,

*KK Cook Miller Smith; alexander LLP*

Keskine, Cook, Miller, Smith & Alexander LLP